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**Chair**

**The Honourable Judy A. Sgro**

# Standing Committee on Transport, Infrastructure and Communities

**Tuesday, October 2, 2018**

● (0850)

[*English*]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.))**: The Standing Committee on Transport Infrastructure and Communities, pursuant to Standing Order 108(2), is continuing to do a study of the Canadian transportation and logistics strategy. The witnesses we have with us today are David Chaundy, interim president and chief executive officer for the Atlantic Provinces Economic Council; and Rajesh Sharma, strategic adviser, former chief executive officer and managing director for Tata Steel. Welcome.

Mr. Chaundy, would you like to go first for five minutes, please?

**Mr. David Chaundy (Interim President and Chief Executive Officer, Atlantic Provinces Economic Council)**: Thank you, Madam Chair, for the opportunity to appear this morning and for utilizing the technology that allows me to appear by video conference from Halifax.

As some brief background, the Atlantic Provinces Economic Council, or APEC, is an independent economic policy research organization whose mandate is to further economic progress in Atlantic Canada. We do this by providing economic and business intelligence that helps organizations develop their own business plans and find new opportunities. We also produce Atlantic-focused economic policy analysis and ideas.

APEC is a non-government, charitable and membership organization. Our membership revenue is derived primarily from membership fees, funded research, events and sponsorships. Our membership includes small and large companies, labour groups, academic institutions, municipalities and government agencies.

We just held our 64th annual meeting last week in New Brunswick.

Turning now to my substantive comments, trade is vitally important to the four Atlantic provinces. Interprovincial trade, both exports and imports, amounted to $65 billion in 2014. There are more recent data available, but they don't change the basic story. This trade is equivalent to almost 60% of Atlantic Canada's regional economic output or GDP, much higher than the 40% share nationally.

International trade, of which the U.S. is our prime trade partner, amounted to over $80 billion in 2014. That is almost 75% of regional GDP, again a higher share than nationally.

As a result, transportation linkages, whether marine, rail, road or air, are vitally important for the region's current economic activity and its future prosperity.

In 2006, APEC released a report on "The Changing Global Economy: The Implications and Opportunities for Transportation in Atlantic Canada". As part of that research we identified several key elements in Atlantic Canada's transportation system. They include two truck corridors, one between Atlantic Canada and the U.S. northeast, and one linking the Atlantic region with central Canada through Quebec; one rail corridor, operated by CN, that links the Port of Halifax and the rest of the Atlantic region with markets in central Canada in the U.S. Midwest; one marine gateway for container traffic through the Port of Halifax; and several dedicated marine and port infrastructure for the domestic and international movement of crude oil and refined petroleum products.

Of course, there are many other ports, airports, roads and short-line railways in the region.

While some of the numbers behind our analysis may have changed over the last decade, I don't think the basic transportation structure is substantially different, although limited data impedes attempts to update some of this analysis.

Our report also identified some of the key transportation issues facing Atlantic Canada. Many of these are still apparent today.

First, low density creates undue reliance on a few—sometimes one—transportation providers, such as for intermodal rail service, while transportation providers may be heavily reliant on one or two key users. Imbalanced flows, such as greater volumes of exports to the United States than imports coming to the Atlantic region, or greater import volumes from Ontario than exports to Ontario, can create a challenge for transportation providers to provide profitable services.

Second, Atlantic firms report issues at the U.S. border in terms of movement of goods and people across the border. We released a report last week to help Atlantic firms manage uncertainty in the trading relationship with the U.S. While the newly announced U.S.-Mexico-Canada agreement is a welcome step, it is not yet clear if it will address all of these practical issues.

Third, regulatory differences between provinces, such as vehicle weights and dimensions, continue to be reported as impeding the operational efficiency of trucking companies.

Fourth, infrastructure capacity can sometimes be a constraint, such as a section of Highway 185 in Quebec near the New Brunswick border that is not twinned. This can also interact with the regulatory system, such that long combination vehicles, which are allowed in New Brunswick and other parts of Quebec, are not permitted along this route, impeding transportation efficiency.

To conclude, trade and the associated transportation linkages are vital for Atlantic Canada's economy. These include transportation linkages to the United States, road and rail linkages to central Canada, and marine and air access to international markets. Capacity, regulatory frameworks and density are all important dimensions of Atlantic Canada's transportation system.

Now I would be happy to respond to any questions you may have.

**The Chair:** Thank you very much, Mr. Chaundy.

We'll go on to Mr. Sharma.

Welcome.

**Mr. Rajesh Sharma (Strategic Advisor, Former Chief Executive Officer and Managing Director, Tata Steel):** Thank you very much.

I represent Tata Steel Minerals Canada. It's a mining company in the northern part of Canada in remote sub-Arctic conditions. We have iron ore deposits straddling Newfoundland and Labrador and Quebec. We have put a very significant investment—over $1.5 billion—into the company. We are the only surviving new mining company that started iron ore mining during the boom period in the early 2000s.

We are facing tough challenges and difficulties, and I'm very pleased to speak in front of this committee because mining and logistics are intertwined and interrelated.

I would like to draw specific attention to access to foreign markets. Iron ore, as you know, is a commodity that is 100% exported from Canada. We have an issue about the port. The federal government has put in place a multi-user deep sea terminal with a public-private partnership. The challenges that we are facing at present are in terms of access to the port and the associated material handling facilities.

The price really is that today the capacity utilization of the port—which is state of the art and top of the line—is 10% to 15%. Out of a 50-million tonne capacity, this year in 2018—the first year—the utilization will be five million to seven million tonnes. The limiting factors, as I said, are the associated facilities in terms of unloading and stockpiling, and then the connectivity to the port.

It is in Sept-Îles, around the Bay of Sept-Îles in Pointe-Noire. The Quebec government has acquired the assets in order to at least have a multi-user concept. However, this requires investment and further funds to develop. That will lay a platform for exports.

Just to give you a sense.... At seven million tonnes, there will be an export of about half a billion dollars. There is an opportunity over the next three to four years for that seven million to go to 20 million to 25 million tonnes.

Tata Steel Minerals Canada is a player. Alderon is another player, and there are Tacora and several other players, so there is a huge opportunity for exports. The projects and investments are made in the northern territories. It allows us to provide huge job opportunities. On our site, consistently, we have about 100 to 150 first nations employees.

On a sustainable basis and on a competitive basis, iron ore exports can grow from Canada only if the logistics are state of the art, world class and cost competitive.

I just want to give you a sense of the market and of another dimension that is very important and where this committee can play a role. The iron ore market has crashed from the peak of $170 per tonne in 2011 to around $60 to $70 now. Canadian iron ore deposits are high quality, but they are in difficult geography in remote locations, and the cost structure is higher. Our competition, really, is Australia and Brazil because their cost structures are low. Despite this, we have a sweet spot because of our good quality and low impurities. However, we can sustain and compete only if we are able to provide cost-competitive, efficient logistics and a gateway for the evacuation of the ore.

I think this is a very important dimension.

Just to give you a sense of the market, I will tell you that there is about 1.4 billion tonnes of seaborne iron ore trade, and Canada would be in the range of 50 million tonnes. The major players are Australia and Brazil. There is, therefore, a huge market.

● (0855)

The second is the Labrador trough, which straddles Quebec and Labrador. It has a resource of over 80 billion tonnes. There is no shortage of deposits. It's the ability to extract them in a cost competitive and an efficient manner.

Really, the upside is a huge number of jobs, very substantial investments, and sustainable development, including working with the first nations communities.

I would urge the committee to consider putting in investments and supporting the efforts of the Government of Quebec in developing this multi-user material handling facility in order to have connectivity to the federal deep-sea new terminal.

Thank you very much.

● (0900)

**The Chair:** Thank you very much, Mr. Sharma.

We'll move to questions from committee members.

Mr. Jeneroux.

**Mr. Matt Jeneroux (Edmonton Riverbend, CPC):** Thank you, Madam Chair, and thank you both for appearing before us here today.

We spent the last week going across the country. We started in the Niagara region, went and visited a few ports and opportunities there. Then we went to Vancouver and down to Seattle to visit their ports as well.

A constant theme for me throughout the trip was the impact, either positive or negative, of some pieces of legislation that have come forward recently. One that we heard of a lot in Vancouver was the impact of Bill C-69 and what that meant for a number of...whether they be importing-exporting companies or airport authorities.

I'm hoping to open it up to both of you. Perhaps to you, Mr. Chaundy, is there any impact that Bill C-69 legislation would have on your organization?

**Mr. David Chaundy:** We don't have any specific information right now on the impact of that particular bill. We have not heard directly from any particular company. Our research tends to be occasional. When we're doing work on trade and transportation, that's when we delve into those issues.

We have not done any specific study recently on transportation or on this particular bill. I'm not saying it's not a concern for any of our transportation users, authorities or shippers, but I don't have any specific insights on that specific legislation at this time.

**Mr. Rajesh Sharma:** In our dealings, we have not come across any conversations around the impact of this bill.

**Mr. Matt Jeneroux:** With regard to you, Mr. Chaundy, you referenced from your website, "Navigating U.S. Trade Uncertainty: A Practical Guide for Atlantic Firms", which you published just a few days ago. In one of the pieces there, you talk about the advice you provide on tariff and non-tariff issues. I know a lot of us are going through the fine details of the USMCA agreement.

Have you heard from any of your stakeholders yet on some of the impacts on the tariffs?

**Mr. David Chaundy:** Not yet. My colleague was dealing with most of the analysis and made the interviews on that so I could prepare for today's session. Our overall sense would be something that you probably heard from other business users. The uncertainty about whether there will be an agreement has been a key issue impacting business decisions. Having an agreement is quite critical. In that regard, it's a positive step forward.

As we highlighted in our analysis, if we didn't come to an agreement, and the U.S. withdrew from NAFTA there would be potential tariff implications. With the agreement in place, that should minimize any of that risk. As has already been noted, some of the existing tariffs and existing trade issues around softwood lumber, steel and aluminum have not been resolved.

In terms of the risk we were looking at as to whether that would be there, our members and the companies in this region will be quite pleased that there are no new tariffs coming because that agreement is not there. We just haven't had time to fully go through the rest of the agreement to know whether there are any other major issues that might be of concern for Atlantic Canada producers in particular.

**Mr. Matt Jeneroux:** Would it be fair to say then that the uncertainty of not having a deal has subsided, but because the tariffs still exist, there's still that general uncertainty with your stakeholders?

**Mr. David Chaundy:** Yes. I think for those who are impacted by the steel and the aluminum, so any of our metal fabrication firms who still may be facing higher costs, that would still be an ongoing concern. There are issues around access with softwood lumber that would still be a concern.

Where there's existing [*Technical difficulty—Editor*] and those are not resolved as part of this agreement, yes, that would still be an ongoing concern. Again, the hope would be that with this agreement, the risk of any new tariffs coming would be eliminated. The fact that the U.S. has not eliminated the tariffs on Canadian steel and aluminum does raise a question about whether that's fully resolved or not.

● (0905)

**Mr. Matt Jeneroux:** I'll switch gears a little bit. With 700,000 trucks per year going through approximately 16 Maine-New Brunswick border crossings, is there a growing concern about the approach taken by the U.S. in terms of their zero tolerance policy when it comes to marijuana for drivers across the border?

**Mr. David Chaundy:** This was a point that we did raise in our guide. We did flag that as a potential concern. I don't think there's anything in this particular trade agreement on that specific issue. We did flag this as a concern, that this might be an issue given their policies. I think we have to wait and see exactly how that plays out and, again, see whether dialogue between Canadian and U.S. officials can result in some kind of understanding about how that will work.

Yes, we did flag that as a concern. We have not yet heard from the business community in terms of their experience with specific issues in that regard.

**Mr. Matt Jeneroux:** October 17 is just a few days away now. That's when it becomes legal. I'm curious, have you heard from the minister or any members of the government on what the impact of that might be?

**Mr. David Chaundy:** No, I haven't heard.

**Mr. Matt Jeneroux:** Okay. Thank you.

**The Chair:** Thank you very much.

We'll move on to Mr. Rogers.

**Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.):** Good morning, Mr. Chaundy and Mr. Sharma. Coming from Atlantic Canada, and living on an island, of course, I have heard many times from the business community about the challenges of accessing markets.

Mr. Chaundy, I'll ask you for your thoughts first. I briefly reviewed your report on the regulatory issues in Atlantic Canada. As I read that report, I saw that one of the challenges that you clearly identified was having provinces work together to put in some kind of regulatory regime that would create efficiency, improve interprovincial trade and make other improvements to trade. Your report talks about the need for an Atlantic regulatory and co-operation agreement. What are the biggest barriers or challenges to implementing your proposal?

**Mr. David Chaundy:** Again, I think there are probably a number of issues. One is that these issues have been identified for many years. When we did the initial research talking to the business community—we released our initial report describing the barriers in 2016—a lot of the firms identified that in certain specific cases there were big issues that impeded their market. In many cases they just found a way to get used to it.

Although it's a challenge for them, and it prevents them, maybe, from having an Atlantic-wide strategy, and it impedes their efficiency in moving vehicles from one province to another and being able to deploy personnel and equipment, they have generally just had to live with that situation. In some ways, I think, the business community sees and recognizes it as an issue, but it's not their most pressing concern. Issues around NAFTA, the exchange rate, labour shortages and other things would be top of mind compared with regulatory issues.

The other practical challenge is the commitment of the four provinces to work together to resolve these issues. We saw some positive steps in commitments by the four premiers back in 2015-16 to establish a new office to work on these issues. They have been making progress. Our concern is that it's easy to say we're going to do this, but to actually do this is a big challenge.

One of the issues is that there are so many regulatory issues. Even in transportation, as we talk to firms, there are issues around vehicle weights and dimensions. There are oversize or overload permits, and different rates of fuel taxes. Just within the transportation field we had a number of issues identified to us. It's a huge agenda, therefore, just to start to work on those as well as labour standards and health and safety. That's partly why in our proposal we were recommending essentially a "negative list" approach. We will ensure that firms can operate seamlessly across the region and then take exceptions on areas where we can't yet make that adjustment.

The size of the task and the willingness of political leaders to make those adjustments and start to work as a region in practical ways rather than maintaining their own provincial policies and regulations, I think that's probably one of the biggest challenges.

● (0910)

**Mr. Churence Rogers:** Mr. Sharma, I understand the challenges you face in the Labrador environment, in getting product to market and achieving maximum dollar in terms of getting into some of the best and most demanding markets in the world to keep the product price at a good level.

What are some of the challenges in transportation logistics faced by your business in particular? What would you like to see come out of the ports modernization review?

**Mr. Rajesh Sharma:** Given where we are, ours is a 100% export business. We have two departs. One is the inland transport, which is the rail transport.

Our mine is situated up north in the Menihek and the Schefferville regions across Quebec and Labrador. The iron ore has to travel more than 600 kilometres to come to the port.

One part is the rail logistics. There are parts of the rail set-up that need improvement and upgrading. As you know, Schefferville is connected by air and rail. There are communities there and there are businesses that are running and there is opportunity to grow. That is one dimension of it—the rail part, which needs improvement and upgrading.

First, the plain economics may not work out. Individual mining companies may not be able to pump in the amount of money required to make it robust for their own consumption, the public's consumption and the growth opportunities that may arise.

The second is around the port. For bulk commodities like iron ore, when we talk about millions of tonnes, that's a huge volume. For those not in the business, it's difficult to visualize. World-class infrastructure in terms of cost and service is required. I think the transport policy should consider that as a trigger for economic development because that's where we are struggling right now in Canada. There is a huge gap in infrastructure, cost structure and port services.

To extend my argument for your information, the federal government along with the mining companies invested $220 million in a deep-sea terminal at Pointe-Noire. The issue of access and moving your product to the transfer tower of the new terminal is still unsolved. It's like having an apartment on the 48th floor in the best building in town, but there is no escalator or elevator. That's the situation.

**The Chair:** Good explanation, Mr. Sharma.

I'm sorry Mr. Rogers, your time is up.

Mr. Aubin.

[*Translation*]

**Mr. Robert Aubin (Trois-Rivières, NDP):** Thank you, Madam Chair.

I want to thank the two witnesses for being here this afternoon.

It has been a pleasure listening to you, gentlemen, and benefiting from your expertise. I will begin with Mr. Chaundy.

You already answered one of my questions by giving specific examples of the differences in provincial regulations, which are problematic for you. In this regard, you focused on the Atlantic region, and it is clear why. Yet you also referred a number of times to the road that also leads to Quebec.

Since trucking regulations are partially under provincial jurisdiction, what kind of leadership do you expect from the federal government or what aspects should it address?

[*English*]

**Mr. David Chaundy:** As we have done our work on interprovincial trade focused on Atlantic Canada, we have clearly acknowledged, in our report, that in Atlantic Canada our business is not primarily within the region. As I mentioned in my opening remarks, we depend heavily on trade with the rest of Canada and internationally. Those cross-Canada and international linkages are very important.

The specific example I referenced was an example of a capacity and regulatory issue. The provinces of Ontario, Quebec, Nova Scotia and New Brunswick have come to an agreement to try to facilitate long combination vehicles. We see the provinces co-operating in that case. The challenge is that it's interacting with capacity issues in a particular location that impede Atlantic Canada's access, for example, to central Canada.

Again, if the provinces are not able to fully come to terms with how to address that, because Quebec has its own interests and it's essentially paying for that infrastructure even though there are other users and beneficiaries, that might be a role for the federal government to try to facilitate by saying, "This is a national corridor. This is of national importance. Therefore, how can we help facilitate and maintain infrastructure that's of national importance and not just for one specific province?"

● (0915)

[*Translation*]

**Mr. Robert Aubin:** In terms of standardizing regulations, is the problem bigger, smaller or the same in the case of cross-border trade with the United States, for instance, which is an important partner for you?

[*English*]

**Mr. David Chaundy:** I think we've had a similar issue in the past. I don't know if this has been fully resolved. When we did our research report there was some conflicting information. We have had similar long-standing issues around truck and weight limits in the United States—in Maine in particular—where what's allowed in Atlantic Canada is not permitted further south in the United States just because of the type of road infrastructure in northern Maine.

Again, I think that issue has been fairly long-standing. I don't know if it has yet been fully resolved. Those are our two key corridors, so anything that impedes the capacity or the regulatory issues around that.... The regulatory issues are sometimes based upon the infrastructure. The vehicle weight limits are because of the way the road has been built, so it's partly an infrastructure issue. The regulatory is the apparent issue but it really comes back to whether we have a road capacity that will accept vehicles of certain weights.

This is not just about a section of road. This is about thinking more in a system point of view where it's coming to and from Atlantic Canada. It's going further south but there are sections where that system is not working because you can't keep certain trucks on certain roads.

I can't say if the United States issue is bigger or smaller than Quebec, but both linkages are very important. We've heard about those issues from my members in the past.

[*Translation*]

**Mr. Robert Aubin:** I will now turn to Mr. Sharma.

You very clearly illustrated the problems you face with the rail industry when you want to ship your products.

I don't know if it's a question of modernizing, adding or upgrading port facilities, but let us assume that the rail problems are resolved and the companies can export your full production. Would the port also be able to export all your products seamlessly and in a relatively short time, considering the increase you anticipate?

[*English*]

**Mr. Rajesh Sharma:** If I understood the question correctly, you asked, if the railing was adequate, then would the port be able to cope with all the exporting requirements.

No. As of now, the bigger problem is the port infrastructure. When you have to export bulk commodities, there is a terminal on which the ship berths, and you lower it. That terminal has been built, in this specific example, as a public terminal for 50 million tonnes of capacity. The associated infrastructure required to unload the trains coming from the mines, to handle the material, to put it on conveyors and connect it to the terminal is absolutely inadequate. It is not even good enough to cater to 10% to 15% of the capacity. As a result, first, the investment that the government and the mining companies have made is not able to realize its full potential; second, the existing players are struggling; and third, new players will not come on board because they see that this is a big bottleneck for evacuation of material.

If that is taken care of, I think there will be a direct correlation in terms of improvement of economic activity and exports.

● (0920)

**The Chair:** Thank you very much, Mr. Sharma.

That's exactly what we were looking at last week. After doing our travel last week, we all can understand exactly what you're talking about.

Mr. Iacono.

[*Translation*]

**Mr. Angelo Iacono (Alfred-Pellan, Lib.):** Thank you, Madam Chair.

Mr. Chaundy, you referred to trucking a number of times, specifically the weight and type of trucks allowed, but aren't the related regulations and the roads under provincial jurisdiction?

[*English*]

**Mr. David Chaundy:** Essentially, the issue is that different provinces have, for different reasons, established different standards. Atlantic companies are not just trading and trucking within one province. They are going across provinces, across Canada and to the United States. The challenge for them is different provincial regulations, different standards, that then impede their ability to travel because they don't look at these provincial borders. They just look at where they need to get their goods or their people to and from. The challenge is the coordination of that and the harmonization of those standards.

[*Translation*]

**Mr. Angelo Iacono:** Have you raised this problem with provincial officials?

[*English*]

**Mr. David Chaundy:** We have, as part of the research for this, been in discussions with them and that's probably why we put forward our proposals, not just for transportation but for these regulatory issues across the four provinces. It's to try to help facilitate and encourage greater co-operation and collaboration, and provide a mechanism to help advance this, because we don't yet see that commitment and the timeline and the process to actually achieve what the four premiers have said, in principle, they want to do. We feel they really need to step up and be more specific about the goals, the timelines, and the work plan or the process of the infrastructure changes to make that work.

[*Translation*]

**Mr. Angelo Iacono:** You referred earlier to the problems companies face at the U.S. border. What exactly are you referring to?

[*English*]

**Mr. David Chaundy:** There are several challenges that we've heard. Probably the biggest one that we heard when we did our pre-consultation around NAFTA is around temporary entry of individuals. There are restrictions on the number of occupations that the U.S. will access. Things have changed a lot since NAFTA was put into place so it's about individuals not fitting into those occupational categories, challenges not getting their visas or being screened and questioned. A lot of the concern was around the business entry, but we have also heard from firms saying that inspections seem to have been tightened up. They've had an increased proportion of loads rejected for different reasons.

Again, it's just a lack of clarity on the rules and maybe different interpretations or applications of those rules. Again, businesses need to know what the rules are and they then need to know they can comply with these. I think there's been some uncertainty created because either the rules are not broad enough on the temporary entry or they're not clear enough or there's been a change in the application.

[*Translation*]

**Mr. Angelo Iacono:** What is the situation in the lobster industry now in terms of jobs and economic spinoffs?

[*English*]

**Mr. David Chaundy:** Can you clarify? I'm not sure exactly what you're looking for me to comment on in that question.

[*Translation*]

**Mr. Angelo Iacono:** Have there been problems exporting lobster or is it all proceeding smoothly?

[*English*]

**Mr. David Chaundy:** Certainly we have seen fairly substantial growth in our lobster industry. We've seen expansion to new markets and we have seen, as part of that, some increases in capacity, particularly in the airline shipping capacity. I think there has been some response on the supply side, the transportation side, to accommodate that. I don't know if there are any particular issues right now....

**Mr. Angelo Iacono:** Sorry. Isn't there a problem with respect to the lobsters having to be transferred to Toronto or Montreal in order to be shipped, for example, to China?

Can you elaborate on that?

● (0925)

**Mr. David Chaundy:** I can't speak to the specific situation, but we have heard that in the past Atlantic Canadian firms would be trucking down to Boston, for example, to ship out of Boston rather than Halifax, so yes, we have heard that in the past. I know there's been some improvement in terms of new airline services to Korea. I don't know to what extent that is still happening to a greater degree but, yes, we have certainly heard that in the past.

**Mr. Angelo Iacono:** Mr. Sharma, in your remarks you mentioned something about Quebec. What exactly is it that Quebec is doing well, that is advantageous, and should this be shared or used by other ports? In your remarks there was something you highlighted about Quebec doing something that's advantageous.

**Mr. Rajesh Sharma:** As I was explaining, the infrastructure that is supporting the dock was owned by a private company and hence the access per se was blocked. Today the conversation has moved on from access to adequacy.

Due to the unfortunate circumstance of difficult market conditions, the Quebec government acquired those assets and facilities. They spent money to get those facilities and develop them, or consider developing them on a multi-user, equitable access principle. That was step one: the conversation for reaching the terminal or reaching the port started. Otherwise, there was no conversation. That's creditable and that's something they did at a time when the iron ore industry was totally in doom and gloom. In any case, no single, private player would be able to be the catalyst that would cater to all. I think this is a good model.

My point was that it requires more investment and more support.

**The Chair:** Thank you, Mr. Sharma.

Mr. Badawey.

**Mr. Vance Badawey (Niagara Centre, Lib.):** Thank you, Madam Chair.

Mr. Sharma, I have a few questions about your port. Are you in Pointe-Noire?

**Mr. Rajesh Sharma:** Yes.

**Mr. Vance Badawey:** Most of your iron ore that comes in comes, I assume, out of taconite, by ship.

**Mr. Rajesh Sharma:** No, our iron ore is right now DSO. It comes from the mines in Quebec. It is exported by ships, yes, 100%.

**Mr. Vance Badawey:** What is your current capacity?

**Mr. Rajesh Sharma:** We are in a ramp-up phase, so capacity going up will be about seven million to eight million tonnes.

**Mr. Vance Badawey:** Okay. What is the percentage in terms of what you have left over in unused capacity?

**Mr. Rajesh Sharma:** Right now we are in a ramp-up phase, so, really, the question of unused capacity will come later. Right now we are, let's say, at three million tonnes, and it has to be ramped up to seven million to eight million tonnes.

**Mr. Vance Badawey:** Okay.

**Mr. Rajesh Sharma:** An associated answer to that is that right now we have made short-term commercial arrangements with a private company, through a private board of IOC, and, obviously, that is not on good economic terms.

**Mr. Vance Badawey:** You talked earlier about your intermodal challenges. With respect to intermodal planning and working with your partners, be it shipping, rail or road, I would only assume that you've worked with your partners to put an intermodal plan together that would address the operations in terms of how you're moving it. Secondly to that, and attached to the challenges, you would have a plan to then address the future concerns with respect to movement, again working with your partners in a multimodal fashion to then create a more seamless and integrated intermodal system.

Have you?

**Mr. Rajesh Sharma:** Yes.

**Mr. Vance Badawey:** Do you have that plan?

**Mr. Rajesh Sharma:** We have the plan, but we have bottlenecks as well in that plan.

**Mr. Vance Badawey:** That's great. The first request, I guess, would be if you could forward that plan to us.

● (0930)

**Mr. Rajesh Sharma:** Okay.

**Mr. Vance Badawey:** With respect to the costs, has it been costed out?

**Mr. Rajesh Sharma:** Yes.

**Mr. Vance Badawey:** It has been.

As you may know, admittedly, the current uncertainty with steel, based on the U.S.-imposed tariffs, is something that we're trying to work through, but we haven't got to yet. With that said, there is, however, an opportunity with the current situation that we find ourselves in, due to the package that the three ministers actually announced back in July, as you may be aware, with respect to the ROs, the remission orders, and of course, the duty deferral under the duty relief. Also, as part of that package, there is a partnership with the EDC with respect to diversity dollars being made available for diversifying your operation both with respect to equipment capital as well as with respect to other initiatives that may be under way, like an intermodal or multimodal system.

I would also suggest that you work with your partners, with the plan that you have in place, to make application through the EDC to look at some of the funding arrangements that can be made to look after some of those multimodal, intermodal recommendations that I'm sure your plan identifies.

Lastly, with respect to the logistics challenges that you mentioned, I think a few people tried to get a bit deeper into what those were. Can you be very specific on what those challenges are?

**Mr. Rajesh Sharma:** When I say logistics challenges, there are three components: capacity, service and cost. These are the three challenges.

**Mr. Vance Badawey:** Let's get a bit deeper under the surface. What's the next level in terms of service? What are some of the challenges?

**Mr. Rajesh Sharma:** In terms of service—and I don't know whether this falls under the jurisdiction of this committee, I'm sure it does—our material is transported from the mine to the port through four different rail operators. They are common carriers so they are obligated to transport the material, so either we have a confidential contract with them or we go to CTA and get a tariff from them.

Some of them are facing difficulty in terms of keeping up. Specifically, if I can say, the rail line called TSH, which is owned by the three first nations, is facing challenges with respect to management, services and channelling the investments they should and do make in the right direction. That becomes the weak link, and the weakest link is really the strength of the whole chain.

**Mr. Vance Badawey:** Is that identified within your work plan, within your ultimate intermodal strategy?

**Mr. Rajesh Sharma:** Yes, that is one on service. The second on service is on the port side where, again, we are facing challenges. As I said, the Quebec government took a very important first step, but we have a long way to go in terms of having good service, good infrastructure and good facilities.

**Mr. Vance Badawey:** Thank you.

Thank you, Madam Chair.

**The Chair:** Ms. Block.

**Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you very much, Madam Chair.

I join my colleagues in welcoming both of you to committee. I was not able to participate in their travels last week, but I know that much of the testimony will find its way into our deliberations here and quite likely into the report.

I know, Mr. Sharma, that your company operates within many countries, I think it's 20, to be exact. Given that, could you provide for us a bit of a comparison in terms of Canada's transportation system and that of the other countries you're doing business in?

A follow-up question I would have is not dissimilar to my colleague's that raised the issue about the regulatory barriers that trucking companies face when moving from province to province. Could you identify any specific legislation, regulations or policies here in Canada that impede transportation?

**Mr. Rajesh Sharma:** Thank you very much.

I have experience working in Asia and Africa and have done some work in Europe, but to your specific question, I think, again, what we find, especially for mining projects, mining investments or economic activity related to mining is that it's a chicken-and-egg story. Somebody has to lay out the infrastructure in a manner that encourages economic activity and encourages companies to invest in mining. It would be weird for companies to invest if they see it as a bottleneck and find it a challenge. That's one point I wanted to make.

Comparing Canada, I have the cost structures of Australia. I worked in South Africa and actively worked on logistics there, so I have the cost structures there. We are behind. Our costs here are higher. That needs improvement and modernization. It has nothing to do with the labour cost, but it is the cost of how we organize.

In terms of ports, and specifically with respect to iron ore, there is a public port in South Africa in Saldanha, which, when I left about seven years ago, was exporting more than 50 million tonnes. It was a seamless operation along with the rail line, and it was much more modern and much better equipped to handle large-scale volumes in a cost-effective manner. I think there is a need for improvement and investment in infrastructure that has to come from the government or a public level to enable further private investment.

In terms of policy, I think there are instruments in the Canada Transportation Act as far as rail is concerned.

I cannot talk about trucks; maybe my friend can talk about trucking.

There are mechanisms available for the protection of the shippers who are captive, but there still needs to be improvement in terms of holding the rail companies accountable for service levels and also for costs. There is scope for improvement.

● (0935)

**Mrs. Kelly Block:** I'm going to turn the rest of my time over to my colleague, Mr. Liepert.

**Mr. Ron Liepert (Calgary Signal Hill, CPC):** Thank you.

I have just one question.

Mr. Chaundy, I'd like to get a bit of feedback from you on the kinds of studies you have done relative to the export of oil products, primarily out of Saint John, New Brunswick, hopefully at some point in time, with a renewed energy east type of pipeline to the east coast.

What can you add to that?

**Mr. David Chaundy:** We don't have any public studies on that particular topic. We do keep track of all the major investment projects in Atlantic Canada, and we had done a study at one point, looking at those from a transportation perspective. That was for a particular client, so that is not a public report. We were looking at the implications and the tie-in to those big projects, which would include things like the energy east and that type of infrastructure, and how that ties in to transportation and these big investment projects.

To make a general comment, our sense at that time—and this is true with a lot of transportation things, as Mr. Sharma mentioned—is that capacity is a big issue. Having increased capacity would allow, for example, that refinery to have greater access to supplies, not just importing crude oil and bringing that in by rail but being able to access different sources, and then just improving capacity and issues around that.

We haven't specifically examined what that does to increase flows.

**Mr. Ron Liepert:** Do you have any numbers compiled, either by studies or by your own work, on how much investment the country lost with the cancellation of energy east?

**Mr. David Chaundy:** We don't have any specific numbers, other than the numbers that were in the original energy east pipeline proposal. We know that Irving Oil was planning to invest in its own terminal as part of that project.

I don't have the numbers at hand, but I think some of those were made public as part of that submission.

**Mr. Ron Liepert:** Thank you.

**The Chair:** Mr. Hardie.

**Mr. Ken Hardie (Fleetwood—Port Kells, Lib.):** Thank you, Madam Chair.

Thank you to our witnesses for being here.

Mr. Sharma, you made a number of very interesting comments. The cost of how we organize was evocative, I suppose.

Not to impose too much additional work on you, but I'm wondering if you could get back to us with a briefing as to what you meant by that—where we are now versus where you think we should be—so that we can look at those gaps. That would be illuminating.

● (0940)

**Mr. Rajesh Sharma:** Most definitely.

**Mr. Ken Hardie:** Thank you.

Mr. Chaundy, you mentioned the regulatory differences between one province and the next, particularly as an impediment to truck movement. We've discovered—in fact, I've known for some time—that those exist from municipality to municipality in metro Vancouver.

I'm wondering if that is also a factor in Atlantic Canada.

**Mr. David Chaundy:** Certainly the general issue of regulatory differences is not specific just to provinces. It does occur around municipalities within provinces. Even within federal departments, we've heard of inconsistent application, on the transportation specifically. We have not heard of any specific issues around different municipal standards that impact that. Certainly in other areas, whether it's Sunday shopping or development or construction, we have heard of those types of issues.

I haven't heard anything specifically related to transportation in terms of tracking or other transportation-related issues.

**Mr. Ken Hardie:** Another common theme that has come up in a number of the studies we have done has to do with the health of short-line railways.

Can you comment on that, from Atlantic Canada. As well, Mr. Sharma, you alluded to it.

We'll start with Mr. Chaundy on that one.

**Mr. David Chaundy:** Again, as I said in my opening comments, one of the challenges in Atlantic Canada is low density and reliance on a few providers, and those providers also then sometimes being heavily dependent upon one or two users. I think this is an ongoing issue that limits choice and capacity.

We do have, especially in New Brunswick, a number of short-lines that are important connections, which allow trade with the United States, for example.

I don't have any specific recent issues that I can bring to your attention where we are hearing about challenges. Certainly in the past, every time you were having to make connections from one line to another, that's where some of these inefficiencies came in, as Mr. Sharma noted. That's typically the same challenge we have heard in Atlantic Canada in the past. I don't know whether over the last three years those issues have become better or worse.

There has been a lot of concern around maintaining some of those short-lines, because once you lose that line, a number of businesses may be impacted, even if it's just due to the closure of one facility. Again, that dependence and the public impacts of that are still an issue for some of those lines.

**Mr. Rajesh Sharma:** Again, the policy has to recognize—and I am sure it would—that short-lines are a means to an end. If you recognize that, then there will be times when there is stress on the system in terms of economic potential of a particular industry operating in a particular region. Sustained support will be required for the lines.

I'll give you an example. We built a short-line connecting our mine to the main line called TSH. We put in the money along with the partner and it was a significant investment, but that money was put in at a time when the iron ore market was booming, in 2010. If you asked me to put in that $50 million or $60 million today, we would not have been able to do that.

I think the policy needs to recognize that they are a means to an end, and there will be times of stress when support is required.

That's my overall comment on this.

**Mr. Ken Hardie:** I have one last question for you, Mr. Chaundy. Again, we discovered or have heard a constant theme about land use and planning, particularly when you have a port in a metro area. There are ongoing challenges for municipalities that see them converting industrial land to residential or allowing residential development next to port operations or transfer points, which create rubs between residents and industry.

Is that an issue in Atlantic Canada?

**Mr. David Chaundy:** Certainly. I can't speak about other ports, but I know that there's been an ongoing issue with the Port of Halifax. I think that the port authority recognizes that there's the issue around a lot of truck traffic in downtown Halifax and coming through the business areas and now increasingly the residential communities, and if and as they look to expand, there are implications for those neighbourhoods. Yes, I think at least in that specific example, this has been a long-standing concern for the port users and those in the vicinity of the port.

**Mr. Ken Hardie:** What about land availability if the port wishes to expand?

**Mr. David Chaundy:** I can't comment on that specifically. I know the port has been developing some of its lands around it. I don't know if there have been specific challenges, issues or tensions around that specific point.

**Mr. Ken Hardie:** Okay. Thank you.

**The Chair:** We've come to the end of this segment. Is there anyone who has a pressing question that they would like to ask?

Mr. Aubin.

● (0945)

[*Translation*]

**Mr. Robert Aubin:** My question is for Mr. Chaundy.

I understand the need to harmonize regulations in order to prepare for the potential growth in trade. Could such harmonization also have environmental benefits?

[*English*]

**Mr. David Chaundy:** Can you clarify what specifically you're thinking about in terms of the environment?

[*Translation*]

**Mr. Robert Aubin:** Yes.

From the start of this study, we have been talking about economic growth. We want to transport more goods, and more quickly. Yet this will clearly have an impact on our greenhouse gas emissions.

Is that part of the equation in some way? Are there any measures we can take to allow for economic growth, while at the same time actively fighting greenhouse gas emissions?

[*English*]

**Mr. David Chaundy:** Yes, we did release a report this summer talking about clean growth and essentially arguing that we need to find a better way of balancing economic opportunities, especially in Atlantic Canada, with the environment. As part of that study, we did also highlight greenhouse gas emissions related to transportation. These issues can overlap. If different provinces are implementing different carbon pricing systems, one of our concerns was that it was going to add to and further complicate these differences that we already have on basic transportation regulation.

A harmonized or an Atlantic approach would help minimize different provinces having different carbon prices or fuel taxes as part of what adds another layer of difference. Again, companies are trying to get the goods from A to B. They're not looking at the provincial barriers between that, but they have to build that into their pricing and they have to make sure they are compliant with different provincial standards, whether it's on weights or whether it's on environmental and carbon pricing.

**The Chair:** Mr. Sharma and Mr. Chaundy, your information was very timely after our trip last week. Thank you both very much.

We will suspend for a moment for our witnesses to leave, and then we will reconvene for committee business.

Thank you.

*[Proceedings continue in camera]*

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